

Mr. John Twitty, Controller  
Health Management Resources  
101 Grace Drive  
Easley, South Carolina 29640

Re: AC# 3-ENC-J8 – Easley Nursing Center, Inc.

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate changes shown on Exhibit A. You will be notified of repayment terms by that agency.

By request of the state medicaid agency this letter also serves as an official notice of your requirement to respond with a report of planned corrective actions on the recommendations and deficiencies noted in this report within forty-five (45) days of the date of this letter. Your response should reference the audit control number and be addressed to: Division of Home Health and Nursing Facility Services, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina, 29202-8206. You are also required to simultaneously furnish a copy of your corrective action report to the State Auditor's Office.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Mr. John Twitty, Controller  
Health Management Resources  
101 Grace Drive  
Easley, South Carolina 29640

Re: Draft Report – AC# 3-ENC-J8 – Easley Nursing Center, Inc.

Dear Mr. Twitty:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Mr. Russell D. Chambers, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director  
Division of Home Health and Nursing Home Services  
Department of Health and Human Services  
Post Office Box 8206  
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-ENC-J8 – Easley Nursing Center, Inc.

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Mr. Russell D. Chambers, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Mr. Jeff Saxon  
Mr. Robert M. Kerr

**EASLEY NURSING CENTER, INC.**

**EASLEY, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 1999  
AC# 3-ENC-J8**

**REPORT ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 10, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Easley Nursing Center, Inc., for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Easley Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, Cost of Capital Reimbursement Analysis and the comments and recommendations sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Easley Nursing Center, Inc., dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate and the comments and recommendations sections of this report.

Department of Health and Human Services  
State of South Carolina  
March 10, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**EASLEY NURSING CENTER, INC.**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 1999  
AC# 3-ENC-J8

Interim Reimbursement Rate (1)	\$102.39
Adjusted Reimbursement Rate	<u>101.95</u>
Decrease in Reimbursement Rate	\$ <u>.44</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999.



**EASLEY NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period Beginning October 1, 1999  
AC# 3-ENC-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$52.34	\$54.43	
Dietary		9.24	9.69	
Laundry/Housekeeping/Maintenance		<u>7.33</u>	<u>8.24</u>	
Subtotal	<u>\$3.45</u>	68.91	72.36	\$68.91
Administration & Med. Records	<u>\$2.18</u>	<u>9.38</u>	<u>11.56</u>	<u>9.38</u>
Subtotal		78.29	<u>\$83.92</u>	78.29
<u>Costs Not Subject to Standards:</u>				
Utilities		1.72		1.72
Special Services		2.03		2.03
Medical Supplies & Oxygen		6.72		6.72
Taxes and Insurance		1.07		1.07
Legal Fees		<u>.06</u>		<u>.06</u>
<b>TOTAL</b>		<u>\$89.89</u>		89.89
Inflation Factor (3.00%)				2.70
Cost of Capital				6.99
Cost of Capital Limitation				(.44)
Profit Incentive (Max. 3.5% of Allowable Cost)				2.18
Cost Incentive				3.45
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.88)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.31</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$101.95</u>

**EASLEY NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-ENC-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,917,590	\$ 1,748 (1)	\$10,031 (4) 531 (4)	\$1,908,776
Dietary	337,723	328 (1)	1,209 (4)	336,842
Laundry	75,668	4 (1)	-	75,672
Housekeeping	118,261	118 (1)	-	118,379
Maintenance	73,355	-	250 (4)	73,105
Administration & Medical Records	342,856	-	809 (4) 125 (4)	341,922
Utilities	62,779	-	-	62,779
Special Services	74,156	-	-	74,156
Medical Supplies & Oxygen	250,563	-	2,912 (2) 2,303 (3) 147 (4)	245,201
Taxes & Insurance	39,152	-	-	39,152
Legal Fees	2,141	-	-	2,141
Cost of Capital	<u>255,387</u>	<u>130</u> (6)	<u>708</u> (5)	<u>254,809</u>
Subtotal	3,549,631	2,328	19,025	3,532,934

**EASLEY NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-ENC-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	136,485	-	-	136,485
Non-Allowable	1,499,119	2,912 (2)	130 (6)	1,517,306
		2,303 (3)		
	<u>                    </u>	<u>13,102 (4)</u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$5,185,235</u>	<u>\$20,645</u>	<u>\$19,155</u>	<u>\$5,186,725</u>
Total Patient Days	<u>36,467</u>	<u>-</u>	<u>-</u>	<u>36,467</u>
 Total Beds	 <u>103</u>			

**EASLEY NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-ENC-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Dietary	\$ 328	
	Housekeeping	118	
	Nursing	1,748	
	Laundry	4	
	Other Equity		\$ 2,198
	To carryforward State Auditor's Office prior adjustment HIM-15-1, Section 2302.1		
2	Nonallowable	2,912	
	Medical Supplies		2,912
	To adjust inventory to cost State Plan, Attachment 4.19D		
3	Nonallowable	2,303	
	Medical Supplies		2,303
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
4	Nonallowable	13,102	
	Nursing		10,031
	Restorative		531
	Dietary		1,209
	Maintenance		250
	Administration		809
	Medical Records		125
	Medical Supplies		147
	To adjust health insurance and related allocation HIM-15-1, Section 2304		
5	Accumulated Depreciation	3,006	
	Fixed Assets		995
	Cost of Capital		708
	Other Equity		1,303
	To adjust fixed assets and related depreciation State Plan, Attachment 4.19D		

**EASLEY NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-ENC-J8

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
6	Cost of Capital Nonallowable	130	130
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u><u>23,651</u></u>	\$ <u><u>23,651</u></u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**EASLEY NURSING CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-ENC-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>103</u>
Deemed Asset Value	3,618,390
Improvements Since 1981	400,836
Accumulated Depreciation at 9/30/98	<u>(508,332)</u>
Deemed Depreciated Value	3,510,894
Market Rate of Return	<u>.063</u>
Total Annual Return	221,186
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	221,186
Depreciation Expense	34,888
Amortization Expense	2,446
Capital Related Income Offsets	(3,711)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	254,809
Total Patient Days (Minimum 97% Occupancy)	<u>36,467</u>
Cost of Capital Per Diem	\$ <u><u>6.99</u></u>

**EASLEY NURSING CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-ENC-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$2.56
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.55</u>
Reimbursable Cost of Capital Per Diem	\$6.55
Cost of Capital Per Diem	<u>6.99</u>
Cost of Capital Per Diem Limitation	\$ <u>(.44)</u>

## **COMMENTS AND RECOMMENDATIONS**

Our agreed-upon procedures identified a condition that we have determined to be subject to correction or improvement. We believe this condition should be brought to your attention.

### **HOME OFFICE TRAVEL COSTS**

During our review we noted that home office travel costs were not accounted for properly. State plan guidelines require travel to be recognized in accordance with the State of South Carolina travel regulations for state employees.

We recommend the Provider follow State employee travel regulations as required by the State Plan.